

Message Text

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ORIGIN EB-11

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APPROVED BY ACTING SECRETARY

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EUR:WSTABLER

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S/S :SRGAMMON

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FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

INFO AMEMBASSY MADRID IMMEDIATE

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E.O. GDS

TAGS: ETRD, SP

SUBJECT:COUNTERVAILING DUTY PROCEEDINGS: BOTTLED

OLIVES AND FOOTWEAR FROM SPAIN.

FROM THE ACTING SECRETARY TO SECRETARY SHULTZ

1. I UNDERSTAND THAT YOU HAVE AUTHORIZED THE PUBLICATION

OF A COUNTERVAILING DUTY PROCEEDINGS NOTICE COVERING

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BOTTLED OLIVES AND FOOTWEAR FROM SPAIN AND THAT TREASURY

INTENDS TO FORMALLY ISSUE SUCH A NOTICE WITHIN A FEW DAYS.

WE ARE CONCERNED THAT AN ANNOUNCEMENT OF COUNTERVAILING

DUTY PROCEEDINGS AT THIS TIME MAY HAVE A SERIOUSLY ADVERSE IMPACT ON OUR RELATIONS WITH SPAIN, PARTICULARLY IN VIEW OF WHAT WE UNDERSTAND TO BE A GENUINE DESIRE ON THEIR PART TO COOPERATE, TOGETHER WITH THEIR UNDERSTANDING THAT THEY HAVE DONE SO AND HAVE SATISFACTORILY PROVEN THAT THERE IS NO BASIS FOR THE COMPLAINT.

2. AT OUR REQUEST THE SPANISH LAST YEAR MET WITH CUSTOMS SERVICE OFFICIALS ON TWO SEPARATE OCCASIONS TO DISCUSS THE CASE. IN FEBRUARY THE SPANISH GOVERNMENT FORWARDED TO US DETAILED INFORMATION ABOUT HOW THEY CALCULATE THEIR TAX REBATES ON FOOTWEAR AND OLIVES. ALTHOUGH WE HAVE HAD THAT INFORMATION FOR NEARLY TWO MONTHS NOW, WE HAVE NOT AT ANY TIME INFORMED THE SPANISH THAT WE CONSIDER IT TO BE INADEQUATE. THUS, ANNOUNCEMENT OF FORMAL PROCEEDINGS IS LIKELY TO COME AS A SEVERE AND UNPLEASANT SHOCK TO THEM.

THEIR REACTION IS LIKELY TO BE HOSTILE, AND MAY WELL AFFECT OUR EXPORTS TO SPAIN AND OUR GENERAL RELATIONS.

3. OUR MILITARY BASE AGREEMENT WITH SPAIN EXPIRES NEXT YEAR. THE SPANISH FOREIGN MINISTER'S VISIT TO WASHINGTON IN MAY COULD WELL BE THE OPENING PHASE OF THE NEGOTIATIONS ACTION AT THIS TIME AGAINST TWO COMMODITIES WHICH ARE POLITICALLY SENSITIVE IN SPAIN WOULD COMPEL THE GOS TO DEMONSTRATE ITS FIRM SUPPORT OF SPANISH EXPORT INTERESTS AND THUS MIGHT AFFECT SPAIN'S ATTITUDE IN THE BASE NEGOTIATIONS.

4. ALSO, SHOES AND OLIVES ARE SPAIN'S TWO LEADING EXPORTS TO THE UNITED STATES, TOGETHER CONSTITUTING OVER ONE THIRD OF THE TOTAL VALUE OF THESE EXPORTS. IN 1972 SPAIN RAN A MERCHANDISE TRADE DEFICIT WITH THE UNITED STATES OF \$441 MILLION. IN 1973 THE DEFICIT INCREASED TO ALMOST \$1 BILLION. GIVEN THE LARGE AND INCREASING DEFICIT IN OUR BILATERAL TRADE ACCOUNT, THE SPANISH GOVERNMENT HAS IN THE PAST SHOWN EXTREME SENSITIVITY AND CONCERN LIMITED OFFICIAL USE

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TO ANY SUGGESTION THAT SPANISH EXPORTS OF SHOES AND OLIVES TO THIS COUNTRY MIGHT BE RESTRICTED FOR ANY REASON.

5. FURTHERMORE, WE HAVE ASSURED THE SPANISH THAT WE WOULD CONSULT THEM BEFORE TAKING ANY ACTION WHICH MIGHT ADVERSELY AFFECT THEIR EXPORTS TO THE UNITED STATES IN RETURN FOR THEIR COMMITMENT, MADE AT THE TIME OF THE SECOND DOLLAR DEVALUATION, NOT TO DEVALUE THE PESETA AGAINST GOLD. FAILURE TO CONSULT IN THIS CASE WOULD BE INCONSISTENT WITH OUR EXISTING OBLIGATIONS TO SPAIN.

6. TO AVERT A CONFRONTATION OVER THIS ISSUE, WE BELIEVE THAT THE USG HAS AN OBLIGATION TO TELL THE SPANISH WHY AND IN WHAT WAY THEIR RESPONSES TO DATE HAVE BEEN INADEQUATE AND THEN GIVE THEM A REASONABLE PERIOD OF TIME TO PROVIDE THE ADDITIONAL INFORMATION WHICH IS ESSENTIAL TO YOUR INVESTIGATION.
7. I EARNESTLY REQUEST, THEREFORE, THAT YOU DEFER ACTION ON THE COUNTERVAILING DUTY COMPLAINTS AGAINST SPAIN UNTILL THE SPANISH ARE TOLD HOW THE INFORMATION THEY HAVE SUPPLIED IS INADEQUATE AND ARE GIVEN A REASONABLE PERIOD OF TIME, E.G. 60 DAYS, TO SUPPLY THE ADDITIONAL INFORMATION NEEDED. RUSH

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